Rural development in the North-Eastern Region of India: Constraints and prospects

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The rural subsystem of the NER economy consists of some 35 thousand villages inhabited by over 32 million people who constitute about 85 percent of the total population in the region. Of approximately 10.6 million main workers in the NER economy, about eight million workers are directly engaged as cultivators or agricultural labourers. The land-base of the rural economy in NER is not much promising. Except in some parts of Assam, Manipur and Tripura, the landform is not very attractive for cultivation. The area under the reported land-use forms about 88 percent of the total geographical stretch of the region. Of this reported area (22.5 million hectares) only 16.5 percent (3.72 million hectares) is the net sown area, being used for cultivation. Reportedly, about 15 thousand sq kms of area is under shifting cultivation, out of which only 4 thousand sq kms of area is being brought under cultivation during a crop year, making up the period of return (Jhum cycle) a little over three years. About 20 to 25 percent of the families practice shifting cultivation in the states other than Assam. The total number of families practicing shifting cultivation is about 4.4 lakh (= 0.44 million). Cropping intensity is 1.4 and thus the gross cropped area is about 5.2 million hectares. Irrigation intensity is low (only about 16 percent of the gross cropped area). Consumption of fertilizers is very little (about 9.5 kg/hect of gross area sown as against 67 kg/hect at the national level). As a result of all these factors and some others too, productivity of land in NER is relatively poorer (1353 kg/hect against 1487 kg/hect at the national level). To intensify the problems still further, per capita gross cropped area in the region is only about 0.18 hectares (against 0.28 hectares in India). Total production of food grains is about 4 million tonnes or 147 kgs/person per year (400 grams per person/day).

On the evidence of information regarding various aspects of the agricultural sector in the region, it may summarily be concluded that the level of agricultural development in the region is lower than in India. Among the states in the region, Manipur is perhaps the most developed and Mizoram is the least developed in agriculture. It is imperative that the less developed states would be more careful in utilizing the opportunities that come in the future.

An analysis of the available data reveals that the extent of poverty varies inversely with the index of agricultural development, indicating that higher the agricultural development, lesser is the percentage of persons under the poverty line. Further, the index of agricultural development goes hand in hand with the extent of cropping intensity, practice of HYV cultivation, use of chemical fertilizers and so on.

At the first glance what may follow from these observations is that any strategy for rural development aiming at alleviation of poverty must enhance cropping Intensity, HYV cultivation, consumption of chemical fertilizers, etc, leading to an increase in the yield rate of various crops. In short, it calls for agricultural development.

Now, the really difficult state of affairs is that in view of the natural constraints, irrigation facilities cannot easily be improved. Without development of irrigation facilities one cannot enhance HYV cultivation and use of chemical fertilizers. So, increase in the yield rate of food crops is not an easy task to accomplish. It is to be noted that rice is the main staple food in the region and its cultivation covers almost 70 percent of the area under food grains. Enhancement in the yield rate therefore is almost synonymous with the increase of yield rate of paddy. Over the years, yield rate of paddy in the region has increased to 1140 kg/hect that is much lower than the yield rate at the national level (1440 kg/hect). Similarly, cultivation of cash crops also demands assured irrigation, use of various inputs and much more careful management. Hence, making the cultivation of cash crops a means to agricultural development is only a remote possibility.

These discouraging facts indicate that the strategy for rural development in the region must seriously address to horticulture and forest-based products. The law of comparative advantage suggests that a region should harness those bounties of nature that are most abundantly gifted to it. The region may therefore specialize in horticulture and forest based products. But in harnessing the forest resources one must be careful not to make excesses and endanger the environment as well as the ecological balance. The laws regarding protection of forests have to be rationalized in the light of regional endowments, economic potentialities and possible indiscriminate exploitation. Social forestry has to be undertaken in a big way as a basis for industrialization and not merely as a means to protect the environment. Floriculture and commercial cultivation of orchids that are of a great value in the international market must draw due attention and efforts.

Now we turn to the infrastructure facilities in the region that may be crucial at this juncture. The degree of electrification of villages in the region is almost at par with India (NER 82.8; India 84.4) but per capita consumption of electricity is much less (100 KWH/year against 240 KWH/year in India). Meghalaya is known to be a power-surplus state but only at the cost of the lowest degree of rural electrification and poor per capita consumption of power.

The ratio of surfaced road to total road length in NER is 0.27 against 0.51 in India and road length per 100 sq km of area is 46 kms against 64 in the nation. Except in Assam and Tripura, there is hardly any access to the railways. In 1985 about 48 percent of the villages in the region were identified as problem villages with respect to availability of water. This figure was only 28 percent for the nation. Over the years, this problem has been addressed to, but much is yet to be done. There is an urgent need to improve the conditions of these problem villages.

Unless the infrastructure is substantially improved, there would be only a limited prospect of horticulture and forest based products if they are to be supplied to the rest of the nation raw and unprocessed (which, even if profitable, would not have been prudent). The same is true with floriculture and mushroom businesses. One need not over-stress that these products are either bulky or perishable in a short duration (or both). Good transportation and organized marketing system is called for. Geographical conditions are

again limiting factors. It would therefore suggest starting of small-scale food processing, agro-based, horticulture-based and forest-based industries.

There are reasons why there is not much prospect for setting up of large-scale industries in the region at large (some parts of the region may, however be exceptions). Perhaps, one of the reasons is the location of the region at the borders of the nation. The political economy of a frontier region is almost always quite complex and rather opaque. Investment is risky and it becomes more risky due to the location disadvantages and socioeconomic adversities.

It is said that the region is capital shy. Due to location disadvantages, the cost of production in the industries operating in the region is quite high and therefore these industries cannot withstand competition. Some information relating to the secondary sector is worth consideration. In the region, production per employed person (in manufacturing sector) is Rs. 80 thousand against 118 thousand in India. Production per Rs. of working capital in the region is Rs. 4.5 against Rs. 6.5 in India. Production per Rs. of investment in plant and machinery is Rs. 6.5 against Rs. 7.8 in India and production per Rs. of fixed investment is Rs. 3.2 against Rs. 4.65 in India. These figures show a lower productivity of the manufacturing sector in the region, and by implication, a higher cost of production per unit. Of course, one may note that cost of production is higher in the region due again to the geographical, institutional and technological reasons. But this is not the whole truth.

Of late, tendencies of capital flight from the region have been observed and, perhaps, it owes to the socioeconomic and political situation prevailing in the region. Business and industries can flourish only if there is a peaceful and safe environment for them to operate and prosper. Unfortunately, the social atmosphere in the region has not been amiable for investment to come in and the conditions are progressively deteriorating. Bandhs and disruption have become a day-to-day affair and that too for trifling reasons, political gymnastics or petty pressure tactics at the most. Man-days lost and under-utilization of resources due to these bandhs and disruptive incidents ultimately escalate the cost of production due to which profitability of investment dries up. In view of this, one is inclined to hold that capital is not shying away from the region, it is afraid of being in station. Investors are apprehensive and capital is fleeing away from the region. In the opinion of some political leaders, alienation (of the region and the people), mounting unemployment and the backward economy are some of the leading reasons for a speedy deterioration of socioeconomic atmosphere in the region. There may be some truth in it. But one must take note of *cumulative causation*, as Gunnar Myrdal would have put it. Deterioration of socioeconomic conditions further aggravates alienation, unemployment and economic backwardness and this gives rise to a vicious circle. This vicious circle is to be broken. As recognized by the Centre, Mizoram has taken a lead in this direction and Peace Bonus for Mizoram is an appreciation of the same.

Now we turn to the sectoral composition of the economy. One may note that the structure of employment of work force in the region has a peculiar shape: much like a cone at the base supporting a smaller inverted cone at its apex - more or less "hourglass

shaped". At the base, a large volume is engaged in primary sector activities and at the top; a relatively small volume is engaged in tertiary sector activities. In the middle, a slim volume is engaged in secondary sector activities. Primary sector has not been able to garner enough secondary sector activities and the slim secondary sector activities do not warrant such a large volume of workers engaged in the tertiary activities. The reasons of the development of this structure are manifold. Economies of the frontier regions often exhibit such a structure of sectoral employment. But, in any case, this is not indicative of a healthy and self-sustaining structure. The bottleneck due to the narrow scope of the secondary sector limits the development of the primary as well as the tertiary sector.

The rural segment of the economy in India has suffered a great malaise. Capital has been *rusifugal* (escaping away from the villages). Physical capital, financial capital and above all human capital have almost always gone out from the villages to the towns and almost never a commensurate return has accrued to the villages. Rural development in this scenario is a real task unless some mechanism is developed to employ the capital generated in the rural areas there itself. Capital must be made *rusipetal* (coming to the villages). In this direction, development of small-scale industries would be quite appropriate.

To set up small-scale industries, some basic requirements must be met. One of them is capital. The rural people, having a per capita income of Rs. 4 thousand may not save enough to arrange for the capital. Banks have to supply capital. But that also will not be enough. Entrepreneurs are needed. There is no easy method to teach enterprise and risk taking. Rural people, mostly because of institutional reasons and poverty are risk aversive. And over and above abject poverty, there are institutions that do not favour industrialization. Here institution is used in the sense in which Thorstein Veblen used it, 'the settled habits of thinking and action, at a community level'. Industrialization, entrepreneur-ship, market-orientated productive activities, etc. require a particular type of mental and institutional framework, most aptly paraphrased by Veblen as the 'pecuniary culture'. Moreover, 'need for achievement', to use the phrase due to David McClelland, at a community level must work in the minds of the people who want to industrialize their economy. The rural economy lacks in these institutions and culture. Apart from all these, to industrialize, knowledge of technology would be essential. That has hardly been done by the educational system of the region. While the outturn of the general (non-technical non-vocational) educated manpower in the region is about 2.6 lakh per year, the outturn of manpower with technical/vocational training is not even 10 thousand per year. Education is among the consumption goods, it has to be made a capital good. But there is little or no effort in this direction.

Now let us turn to the employment side. One may safely estimate the outturn of educated/semi-educated jobseekers adding to the mass at 2.6 lakhs every year. Turning to some information available on registration in and placement by the Employment Exchange we find that only 3 to 4 percent of those registered for placement actually obtain placement during a year. Those who could not get placement add to the pool of the unemployed (educated/semi-educated) manpower. The bulk of educated/semi-educated jobseekers have general (non-technical/non-vocational) education. An arrangement for

their gainful employment can never be an easy task. The tertiary sector in the region is already over-swollen and disproportionate vis-a-vis the secondary sector.

One more fact deserves a mention. There are reasons to believe that the value of employment multiplier in the tertiary sector is much less than unity. When a person is employed and contributes to the economy so much of steam that is not just enough only to sustain his own employment but also to provide employment to some more people, we say that the value of the employment multiplier is greater than unity. But if the dead load of the employee exceeds the might of the steam generated by him, the value of multiplier is less than unity – a case not dealt with in economics. Unfortunately, much of employment in the organized tertiary sector is of the latter type. Hence, there is little scope for employment generation due to the endogenous forces in the tertiary sector.

Education policies are largely responsible for the malady. The purpose of education is to inculcate skill, modernization ideals, will to economize and develop as well as the need for achievement. The present education system has failed at that and it continues to turn out potential clerks and big babus. Change in the educational policy in the region is perhaps overdue. It is worth noting, however, that educational institutions are scarcely mindful of the need for such changes. Technical education must be made a priority. Once the young blood is aware of the technology and trained in the methods of production, the technically trained manpower may not opt for a job in the tertiary sector, but, instead, may opt for enterprise. One would recall that the classicists considered service sector unproductive. Before accepting the neo-classicists rather hurriedly (who claimed otherwise), one may look into the existing situation and then evaluate whether service sector is productive. How much disguised unemployment and sub-productive (counter-productive!) employment of resources and the manpower is there in this sector is worth pondering over. Existing educational institutions should start programmes for technical and vocational educations and those that would come up in future should address to the need for the most desirable education programme to impart technical education to the students by starting some non-conventional departments. Some colleges may also be established with the same purpose in mind.

And the malady has its roots in the faulty economic policies as well. Unemployment of people easily adds to the pressure on the government. Unemployment (under-utilized capacity) of non-human resources hardly generates a hue and cry. Unemployment of people is overt while unemployment of non-human resources is covert. But generation of employment is due to better/more utilization of all resources (and not only the human resources). Poor productivity must limit the size of all types of employment. However, this problem has not attracted much attention.

To conclude, a strategy for development of rural economy and employment in the region must be outlined in what follows: (a) a well thought out plan to develop the rural infrastructure (b) harnessing of the central non-lapsable pool for supporting projects to build up infrastructure and take up other economic development programmes, (c) harnessing of the Central grants for development of info-tech infrastructure and utilize them, (d) development of agro-based, horticulture based, forest based small scale

industries, (e) development of floriculture and mushroom culture, (f) use of the export development fund for setting up marketing infrastructure, (g) change in the educational policy favouring larger outturn of technically educated manpower, and (h) deliberate attempt to train the educated manpower for entrepreneurial activities. At present, rural development attracts some 5 to 6 percent of the plan allocation. The skeptics would always apprehend that all the State government machineries would be neither capable nor free from corruption in implementing the projects/schemes drawing resources from the Centre. But the governments in the region must prove the skeptics to be wrong. Moreover, it is necessary that before implementation of any strategy for rural development, evaluation be made so as to choose one among the various alternative strategies, the one yielding best possible results.

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